

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BOYNE DISTRICT LIBRARY	County CHARLEVOIX
Audit Date APRIL 30, 2004	Opinion Date AUGUST 23, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

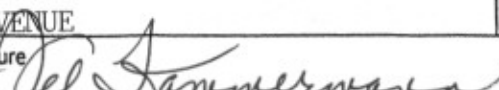
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) MASON & KAMMERMAN, P.C.			
Street Address 110 PARK AVENUE	City CHARLEVOIX	State MI	ZIP 49720
Accountant Signature 			

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
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August 23, 2004

To the Board of Trustees of
Boyne District Library:

We have audited the financial statements of Boyne District Library for the year ended April 30, 2004, and have issued our report thereon dated August 23, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 20, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Boyne District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Boyne District Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Boyne District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Boyne District Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Boyne District Library, either individually or in the aggregate, indicate matters that could have a significant effect on Boyne District Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Trustees
Boyne District Library
August 23, 2004
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Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Boyne District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit


We encountered no significant difficulties in dealing with management in performing our audit.

Legal Compliance

The Uniform Budgeting and Accounting Act, PA2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated. Actual expenditures exceeded budgeted amounts by \$2,195.

This information is intended solely for the use of the Board of Trustees and management of Boyne District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Velda K. Kammermann

VKK/jgc

BOYNE DISTRICT LIBRARY

CHARLEVOIX COUNTY

MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended April 30, 2004

MASON & KAMMERMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON & KAMMERMANN, P.C.

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August 23, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boyne District Library:

We have audited the accompanying general purpose financial statements of Boyne District Library as of and for the year ended April 30, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Boyne District Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Boyne District Library as of April 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The account group schedule listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boyne District Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Mason & Kammermann, P.C.

BOYNE DISTRICT LIBRARY
ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET
as of April 30, 2004

	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUP</u>	TOTALS (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>GENERAL FIXED ASSETS</u>	
ASSETS			
Cash in bank, savings	\$123,481	\$ -	\$ 123,481
Cash in bank, certificates of deposit	106,572	-	106,572
Due from other governmental units	21,662	-	21,662
Fixed assets	<u>-</u>	<u>2,499,232</u>	<u>2,499,232</u>
Total assets	<u>\$251,715</u>	<u>\$2,499,232</u>	<u>\$2,750,947</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 8,911	\$ -	\$ 8,911
Accrued payroll taxes	5,415	-	5,415
Accrued vacation	<u>2,495</u>	<u>-</u>	<u>2,495</u>
Total liabilities	16,821	-	16,821
FUND EQUITY:			
Investment in general fixed assets	-	2,499,232	2,499,232
Fund balance	<u>234,894</u>	<u>-</u>	<u>234,894</u>
Total fund equity	<u>234,894</u>	<u>2,499,232</u>	<u>2,734,126</u>
Total liabilities and fund equity	<u>\$251,715</u>	<u>\$2,499,232</u>	<u>\$2,750,947</u>

The accompanying notes are a part of the financial statements.

BOYNE DISTRICT LIBRARY

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE

for the year ended April 30, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	OVER/ (UNDER) BUDGET
Revenues:			
Property taxes	\$235,500	\$ 233,939	\$ (1561)
Intergovernmental:			
State penal fines	30,000	33,286	3,286
State aid	5,950	7,182	1,232
Local	6,000	-	(6,000)
Contributions	4,000	17,886	13,886
Interest income	11,000	3,500	(7,500)
Miscellaneous	7,200	7,663	463
Total revenues	299,650	303,456	3,806
Expenditures:			
Books and periodicals	32,500	30,008	(2,492)
Wages and salaries	167,955	169,663	1,708
Payroll taxes and benefits	38,156	37,157	(999)
Operating supplies	8,000	4,109	(3,891)
Contracted services	-	3,879	3,879
Travel and memberships	7,000	6,415	(585)
Office supplies	6,700	5,472	(1,228)
Utilities and telephone	28,500	39,829	11,329
Repairs and maintenance	13,500	16,409	2,909
Professional fees	4,750	4,903	153
Insurance	7,000	6,449	(551)
Miscellaneous	12,200	7,981	(4,219)
Capital outlay, Equipment and fixtures	30,000	26,182	(3,818)
Total expenditures	356,261	358,456	2,195
Excess (deficiency) of revenues over expenditures	(56,611)	(55,000)	1,611
Fund Balance, May 1, 2003	289,894	289,894	-
Fund Balance, April 30, 2004	<u>\$233,283</u>	<u>\$ 289,894</u>	<u>\$ 1,611</u>

The accompanying notes are a part of the financial statements.

BOYNE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended April 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The Boyne District Library was established in 1996 under Act 164 of 1955, to provide library services primarily to the residents of Bay, Evangeline, Eveline and Wilson Townships and the City of Boyne City. It is primarily funded by tax revenues from these governmental units.

The Library's combined financial statements include the accounts of all Library operations. As set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, the Library has no component units.

2. BASIS OF PRESENTATION: FUND ACCOUNTING

The accounts of the Library are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. These funds and account groups are used to report on the Library's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The Library uses the following generic fund types in its activities:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the Library are financed. The acquisition, use and balances of the Library's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

General fund - the general operating fund of the Library accounts for all financial resources that are not required to be accounted for in another fund.

BOYNE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended April 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Library's general fixed assets. They are concerned only with measurement of financial position and do not measure results of operations.

General Fixed Assets Account Group - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Capital outlays are recorded as expenditures of the General Fund at the time of purchase and are subsequently recorded for control purposes in the General Fund Assets Account Group. The Library capitalizes expenditures for property and equipment in excess of \$500.

3. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The General Fund uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period generally, sixty days. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measureable.

4. BUDGETS AND BUDGETARY ACCOUNTING

Budgeted amounts are as originally adopted, or as amended by the Library Board of Directors. Individual amendments were not material in relation to the original amounts.

The Board of Trustees approves the operating budget prior to May 1 of each year. Appropriations lapse at the end of the fiscal year.

BOYNE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended April 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. FIXED ASSETS

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

6. RISK MANAGEMENT

The Library participates in the Michigan Municipal League Insurance Pool to provide workers' compensation coverage and general liability and property insurance. The Library contributed \$6,449 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

7. CASH IN BANK

The cash in bank, including the certificates of deposit, are on deposit with local federally insured financial institutions.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Insured	\$207,229
Uninsured	<u>22,824</u>
	<u>\$230,053</u>

8. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position or results of operations and cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

9. DONATIONS OF BOOKS

Donations of books are recorded at their estimated fair value on the date of donation. The value is recorded as a revenue and an expenditure for books.

BOYNE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended April 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. USE OF ESTIMATES

This presentation of financial statements in conformity with the modified cash basis of accounting requires the Library to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

11. LEGAL COMPLIANCE

During the year, Boyne District Library incurred expenditures in excess of amounts appropriated by \$2,195.

NOTE B - PENSION PLAN

The Library has approved a tax deferred annuity for employees and funds pension costs as they accrue, \$4,433 for the year.

NOTE C - PROPERTY TAXES

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

The Library is supported by the taxpayers of various governmental units and have approved the following taxes to finance the Library's operations:

<u>DISTRICT</u>	<u>MILLS</u>	<u>TAXABLE VALUATION</u>
Bay Township	.6814	\$ 94,290,910
Evangeline Township	.6814	50,172,489
Eveline Township	.6814	24,928,075
Wilson Township	.6814	33,412,897
City of Boyne City	.6814	<u>144,531,097</u>
		<u>\$347,335,468</u>

BOYNE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended April 30, 2004

NOTE D - LOCAL INTERGOVERNMENTAL REVENUES

Boyne District Library receives revenues from Charlevoix District Library for reciprocal library services to Hayes Township residents. These revenues were overpaid in the prior year.

NOTE E - ENDOWMENT FUND

The Library has established an endowment fund with the Charlevoix County Community Foundation to provide funds for maintaining the building. The market value of the fund is approximately \$114,580 at the end of the year.

BOYNE DISTRICT LIBRARY
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
for the year ended April 30, 2004

	<u>BALANCE</u> <u>5/1/03</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>4/30/04</u>
General Fixed Assets:			
Furniture and fixtures	\$ 17,605	\$ -	\$ 17,605
Equipment	207,758	4,459	212,217
Land and building	<u>2,247,687</u>	<u>21,723</u>	<u>2,269,410</u>
Total	<u>\$2,473,050</u>	<u>\$ 26,182</u>	<u>\$2,499,232</u>
Investment in General			
Fixed Assets:			
General Fund Revenues	\$ 205,878	\$ 26,182	\$ 232,060
Contributed by foundations	<u>2,267,172</u>	<u>-</u>	<u>2,267,172</u>
	<u>\$2,473,050</u>	<u>\$ 26,182</u>	<u>\$2,499,232</u>